**Statement of VA NY/NJ Network Director**

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**before the U.S. House of Representatives**

**Subcommittee on Human Resources**

**Committee on Government Reform and Oversight**

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Mr. Chairman, thank you for the opportunity to appear before the subcommittee and provide information regarding the restructuring of services and the quality of care at the Castle Point and Montrose VA Medical Centers.

As you know, in recent years VA had been receiving mounting criticism from Congress, GAO, private health care systems and veterans about being a bureaucracy that cared for too few veterans, with too many hospitals and too many empty beds. In acknowledgment of these varied concerns the Veterans Health Administration nearly two years ago adopted a new vision for how veterans health care would be delivered.

Dr. Kizer, the Under Secretary for Health, published his "VISION for CHANGE." In that document, which was shared with Congress and other stakeholders, he outlined a plan to streamline the bureaucracy, reduce excess staffing, close unused beds, improve patient satisfaction, and shift resources to take care of more veterans on an outpatient basis, closer to their homes. A new network structure of 22 Veterans Integrated Service Networks (VISN) was set up to ensure quality care and improve efficiency. During the past two years VHA has undergone tremendous change throughout the entire system including New York.

The private sector health care community has called this change innovative and remarkable and has said, "it is about time." In the NY/NJ VISN 3 we have been doing many of the same things as our colleagues around the nation. We have carefully monitored the pace of change to ensure that care has not been affected. Many of our overall care indicators, with respect to quality, have actually improved. In addition patient satisfaction across the network has also improved according to recent surveys.

The VA serves a patient population that is older, more burdened with disease and has more problems overall than those seen by other healthcare providers.

Please understand that these risk factors would not excuse even a single occurrence of flawed care, but mistakes occur in any system in which people are involved in something as difficult as healthcare.

However when there are allegations of poor care we take them very seriously. Whether those indicators come from within our own monitoring systems or come from the veterans themselves, we do what it takes to not only make things right but to ensure the same situation never happens again.

We have carefully reviewed each case that has been brought to our attention during these past few months, either by the media, our elected representatives or veterans. It breaks my heart to hear any stories of poor care. I want you to know that I offer my personal apologies to any veteran, and their family, who has not received the best care this nation has to offer. We can all understand the pain of a family member whose sole purpose is the compassionate care and treatment of their loved one. Our veterans have earned the best because they gave us their best in service to the country.

For those cases that have been spotlighted I want every patient and family member to know that we are working to ensure that their concerns are fully addressed and that any failures that may have occurred never happen again. This is my first priority and therefore the first priority of each and every staff member at Castle Point and Montrose. For highlighting many of these incidents, I want to thank our Congressional Representatives and our veteran service organization leaders for their undying concern and efforts on behalf of our area veterans.

We do acknowledge that these facilities have some long standing issues that we are working to overcome. I have not been completely satisfied with the overall physical plant and cleanliness of the environment. There are problems with waiting times to see care givers, waits to get appointments and waits at the pharmacy. Our standard expectations for basic customer service are not being met as often as they should be. There are also issues with staff to patient communications and staff to family communications that have existed. These problems either have been addressed or are in the process of being addressed and I won't be satisfied with these actions until our patients and patients' families tell us that they are satisfied.

As I have said before I would never tell you that every veteran who enters our hospitals or clinics gets perfect care, I couldn't say that, because it can never be 100% true. I will tell you, however, that the Castle Point and Montrose VA Medical Centers and Nursing Homes took care of over 16,000 veterans during this past year and the vast majority of those patients are pleased with the quality of care they received.

Our monitors, both internal and external, as well as discussions with veterans and their families indicate that the care provided in the VA Hudson Valley Health Care System is of high quality. However, to provide us with even greater assurance I asked the two medical centers to contact a large sample of the families of our inpatients to see if the allegations of systemic substandard care were true or perceived to be true. I am happy to report that the overwhelming majority of our patients' families, who were contacted, were not only satisfied with the care provided by the VA, but complimented us on the compassion of our staff and the quality of our clinical interventions.

Let me address the recent allegations that budget reductions have resulted in an increased mortality rate at the Hudson Valley facilities. This is simply not true. We have done an extensive review of mortality at both medical centers. The analysis of the number and rate of deaths over the past three fiscal years demonstrates considerable month-to-month variability. There is no evidence in these data which would suggest a deterioration in the quality of health care leading to an increase in deaths at Castle Point or Montrose. As a matter of fact, the death rates in May and June of 1997 were lower than they were for most of 1996. Several media outlets which have reviewed the data as well as an independent review by a Marist College Professor of Health Care Statistics also agree with our findings. In addition, the Joint Commission on Accreditation of Healthcare Organizations recently conducted an unannounced survey and concluded that there is no cause to be alarmed about the quality of care provided to our nation's veterans. Likewise, VA's Under Secretary for Health has made a personal visit to these facilities to gather first hand information about the quality of care provided.

In regards to staffing, both hospitals are fully staffed to meet the current inpatient and outpatient workload comparable with other VA Medical Centers within this network and around the nation. While it is true that we have reduced staff at both hospitals through attrition and voluntary buyouts over the last two years, we have simply brought the staffing numbers in line with the number of patients utilizing these facilities, while eliminating redundant and duplicated layers of administration.

One critical measure of the type of care provided in the VA Hudson Valley Healthcare System is the number of veterans who are coming to us for care. If care were consistently poor and in decline we would also be likely to see a commensurate decline in the number of veterans utilizing the system. This is not the case. We have had nearly 3,500 new veterans sign up for care since 1994 with 2,000 of those veterans signing up in just the last nine months. The VA Hudson Valley facilities lead the way in terms of enrolling new veterans throughout the network.

As you know under the new funding model for VA, federal dollars will be distributed in a capitation-like manner. This process involves determining the

number of category A veterans (primarily those veterans with service-connected disabilities, or those whose income falls below a particular threshold) who have received care from VA over the preceding three-year period. The actual annual cost of this care is then divided into the total number of veterans who received care to develop a national reimbursement rate. Each of the 22 VISNs then receives an allocation equal to the number of veterans treated in that VISN, multiplied by the national reimbursement rate.

A similar process is utilized to reimburse care provided to veterans with specialized needs that result in utilization of large quantities of healthcare resources. Among these veterans are those who require organ transplants, or those who suffer with AIDS, spinal cord injuries, visual loss, or other catastrophic illnesses. VISN 3's funding allocation is adjusted for this purpose because we have a high number of special care cases.

As Director of VISN 3 I actually had to begin planning for the national funding shift in anticipation of the final projected dollar loss to our network. At the national level it was clear that under any funding model that was assembled, the Northeast and particularly VISN 3, would experience a budget reduction. Knowing that we were going to have to deal with that impact, we began planning with our staff, unions, veterans service organizations, Congressional representatives and others to try to meet the target which we believed would be approximately a $110 million loss to our network. This effort to minimize the impact of the projected loss began in October of 1995. The final VERA (Veterans Equitable Resource Allocation) reduction for our network was closer to $148 million. After months of planning and analysis we realized that our levels of workload enabled us to reduce our staffing across the network to be closer to VA national staffing numbers.

We recognized that given the proximity of our hospitals-- no other network has eight hospitals in such a small geographic area -- that we could successfully integrate the management of at least four hospitals whose missions were complementary and had a long history of sharing services and consolidated functions.

There were two priorities: adjust our staffing to clinically appropriate levels and begin to increase the number of veterans we serve so that deeper staff cuts could be avoided.

We integrated two hospitals in New Jersey and two here in the Hudson Valley. I will mention that a total of 40 medical centers nationwide have undergone successful integrations with each integrated organization becoming the responsibility of one Director. In both integrations in VISN 3 the smaller hospitals benefited from the integration with the more financially viable facilities. In the Hudson Valley, Castle Point VA Hospital did not have the patient utilization and workload to justify the staff and budget it received and therefore its integration

with Montrose provided an opportunity for greater workload and financial stability. The true value of these integrations are that the staff reductions are already completed ahead of schedule and because of that, the reductions will not have to be as deep as if we did them over the next several years. By reducing staff and moving much of the savings to outpatient care and outreach to new veterans, we have strengthened all of the medical centers and enhanced their future viability. In fact the workload below demonstrates the steady increase in the number of veterans served by the VA Hudson Valley Health Care System and the resultant increase in outpatient visits.

| VA Hudson Valley | Oct-May FY 95 | Oct-May FY 96 | Oct-May FY 97 |
|---|---|---|---|
| Unique Veterans Served | 12,941 | 13,704 | 15,577 |

| Outpatient Visits | Oct-April FY 95 | Oct-April FY 96 | Oct-April FY 97 |
|---|---|---|---|
| Castle Point | 36,018 | 37,401 | 40,184 |
| Montrose | 41,270 | 48,108 | 60,607 |

The following are the budgets for Castle Point and Montrose for the Fiscal Year 1995, 1996 and 1997. These figures include all personnel, equipment purchases, construction and contract nursing home care.

| | FY 95 | FY 96 | FY 97 |
|---|---|---|---|
| Castle Point | $44,873,685 | $41,953,801 | $41,099,051 |
| Montrose | $85,353,375 | $90,918,585 | $82,230,344 |
| Total Hudson Valley | $130,227,060 | $132,872,386 | $128,329,395 |

We do recognize that these changes over the last two years, like any changes, have raised concerns which may have had an impact on morale and sense of security for our staff and veterans. But I will remind you that we have not had a RIF (reduction in force). Large scale, formalized reductions-in-force (layoffs) are not only disrupting and demoralizing but they are also costly to the government. Many other VISNs across the country are utilizing RIF Authority to reduce employment. Instead VISN 3 steadily met its goals through attrition and voluntary federal government buyouts. Given our current budget allocation and the numbers of veterans we are treating, the Hudson Valley Hospitals should not fear any further significant staff reductions.

As for the VA Medical Inspector's visit, we anxiously await the results of his team's review of the care provided to our veterans. I initially requested the review by the Office of the Medical Inspector and have ensured that the Hudson Valley Medical Centers provided their full cooperation in this important analysis. I can tell you that we are not waiting for the final report to make changes to further ensure the quality of care. Mr. Michael Sabo who is the new permanent Director of the VA Hudson Valley Health Care System has experience in operating a large two-division hospital. He brings that expertise to the Hudson Valley and following up on the excellent work done by Ms. Maryanne Musumeci, he is putting in place new mechanisms for patient /family communication and communication with our veterans leaders. His primary goal is to ensure and maintain high quality, accessible care for our veteran patients.

Finally, in addition to serving over 3,500 brand new veteran users, we have also improved access and services to veterans in the entire Hudson Valley region. We have opened a new outpatient clinic in Rockland County and have just received approval for a clinic in Yonkers. We have also expanded services in White Plains and have clinics currently in process for Kingston and Monticello. It is my desire to open a number of new clinics in all corners of the Hudson Valley to better serve our veterans. Veterans who use these clinics are overwhelmingly satisfied with the services that are provided. A new mobile health van is also operating exclusively in the Hudson Valley to reach out to areas that have been underserved by VA and to pockets of veterans in socioeconomically disadvantaged areas, as well as direct outreach to homeless veterans in our more urban locations.

I want to thank you for the opportunity to share my thoughts with you today. Please rest assured that our first priority is compassionate, high quality care for our nation's veterans; anything less than that is unacceptable to me and to the dedicated employees of the VA Hudson Valley Health Care System.

I will gladly attempt to answer any questions you may have.